

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:234

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FUNCTIONING OF RRBs

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has made a study of functioning of Regional Rural Banks;
- (b) if so, the details thereof;
- (c) the steps the Government proposes to take to make the RRBs function effectively in rural sector;
- (d) whether the public sector banks would iron out their differences and reduce the number of RRBs to function under one public sector bank in a region;
- (e) if so, the details thereof and if not, the reasons therefor;
- (f) whether RRBs are providing all banking facilities to their customers like public sector banks;
- (g) if so, the details thereof; and
- (h) the steps taken by the Government to strengthen Regional Rural Banks in the country?

Answer

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM):

(a) and (b) The following working groups/committees constituted from time to time have examined various aspects of RRBs including their functioning.

1. Committee on Rural Banks (Dentwala Committee, 1978).
2. Committee to review arrangement-for institutional credit for agriculture and rural development(CRAFICARD, 1981).
3. Working Group on Regional Rural Banks (Kelkar Committee, 1984).
4. Agriculture Credit Review Committee (ACRC,1989).
5. Committee on financial system (Narasimham Committee, 1991).
6. Committee on Restructuring RRBs (Bhandari Committee, 1994).
7. Working Group on funds management in RRBs (Misra Committee, 1995).
8. Committee on revamping of RRBs (Basu Committee, 1996).
9. Expert Group on RRBs (Thingalaya Committee, 1997).
10. Expert Committee for review of supervisory role of NABARD (U.K. Sarma Committee, 1998).
11. Committee on Banking Sector reforms (Narasimham Committee, 1998).
12. Committee on manpower norms in RRBs (Agrawal Committee, 2000).
13. Experts Committee on Rural Credit (ECRC,2001).
14. Working Group to suggest amendments in RRBs Act, 1976 (Chalapathi Rao Committee, 2001).
15. Group of CMDs of select public sector banks (A.K. Purwar Committee, 2004).

16. Advisory Committee on credit to Agriculture and related activities from the banking system (Prof. Vyas Committee, 2004).

(c) The Government has taken the following initiatives to make the RRBs function effectively in the Rural Sector:

1. Package for doubling the flow of credit to Agriculture and debt relief measures for restructuring accounts of farmers in circumstances of extreme distress due to successive natural calamities or farmers in arrears.
2. One time settlement scheme for small and marginal farmers and a scheme for redemption of debts of farmers taken from non-institutional sources.
3. Freedom from service area approach to those RRBs which were having accumulated losses as on 31-3-2004.
4. Recapitalisation support to those RRBs which fulfil the prudential norms and norms of good governance.
5. Then sponsor banks have been made fully responsible for the performance of RRBs sponsored by them.

(d) and (e) As a step towards consolidation of RRBs, the Government has initiated the process of amalgamation of RRBs on contiguous districts sponsored by the same bank within a State in consultation with the respective State Governments.

(f) and (g) RRBs are providing normal banking services in the field of deposits & credit or advances. However RRBs are not providing high end banking services like foreign exchange/ opening letters of credit/ foreign guarantees etc. A few RRBs are providing draft services with the support of their sponsor banks as the operational spread of RRBs is restricted to select districts.

(h) In order to strengthen the capital base of RRBs recapitalisation support has been provided to 158 RRBs, fully and to 29 RRBs partially to the tune of Rs. 2188 crore. Further, the Reserve Bank of India has been advised to evolve suitable criteria for financial assistance to RRBs, assess its quantum and the manner in which it should be disbursed for revitalising the RRBs on a sustainable basis.